

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 CIAE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-09 IO-10 /102 W

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USADB

TREASURY FOR ZINMAN

E.:2. 11652: ADSN DECLAS 12/31/76

TAGS: EAID, EFIN

SUBJECT: REVISION OF ADB PROFESSIONAL SALARY STRUCTURE

SUMMARY: IN RECENT CONVERSATION WITH PRESIDENT INOUE, US DIRECTOR WAS INFORMED THAT MANAGEMENT INTENDS TO PROPOSE SUBSTANTIAL REVISION IN BANK'S PROFESSIONAL SALARY STRUCTURE BASED ON RECENTLY COMPLETED PERSONNEL MANAGEMENT REVIEW BY OUTSIDE CONSULTANTS. BOARD PAPER ON SUBJECT, TO BE ISSUED SHORTLY, WILL MOST LIKELY RECOMMEND EXPANSION OF PROFESSIONAL STAFF SALARY GRADES FROM 5 TO 7 AND ESTABLISHING NEW SALARY RANGES FOR EACH GRADE. UPPER RANGE OF TOP GRADE MAY BE AS HIGH AS \$42,5000.

1. PRESENTLY BANK HAS 5 PROFESSIONAL STAFF GRADES WITH SALARY RANGES
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GRADE	MINIMUM	MAXIMUM	AVERAGE SALARY
V	US \$27,500	US \$34,500	US \$34,500.00
IV	US \$22,200	US \$30,000	US \$30,623.33
III	US \$16,875	US \$25,415	US \$24,768.85
II	US \$12,430	US \$21,185	US \$19,901.76
I	US \$5,650	US \$14,690	US \$15,400.91

ABOVE STRUCTURE WAS ORIGINALLY ADOPTED IN AUGUST 1973 AND WAS MODIFIED TWICE DURING 1974 TO INCREASE CEILING ON GRADE V TO \$34,500 TO MATCH BOARD OF DIRECTORS SALARY BEING PAID CURRENTLY.

2. ALTHOUGH PROFESSIONAL STAFF SALARY PAPER OF JULY 1974 (EX/R4-74) RECOMMENDED EXPANSION OF PROFESSIONAL STAFF GRADES FROM 5 TO 7, PROPOSAL WAS NOT ADOPTED AS IT DID NOT APPEAR TO SOLVE SALARY BUNCHING PROBLEM AT TOP, WHICH IS BASICALLY CAUSED BY TYING TOP STAFF SALARY TO THAT OF BOARD OF DIRECTORS. NEVERTHELESS, AVERAGE GENERAL SALARY INCREASE OF 15 PERCENT WAS APPROVED BY BOARD SUBJECT TO FREEZING OF ALL MERIT INCREASES PENDING COMPREHENSIVE REVIEW OF BANK'S PERSONNEL MANAGEMENT POLICIES AND PRACTICES BY A COMPETENT OUTSIDE CONSULTING FIRM.

3. FIRM OF BOOZ, ALLEN & HAMILTON, INC. COMMENCED SURVEY IN LATE FALL OF 1974 WITH REPORT SUBMITTED TO BANK IN LATE FEBRUARY. MAJOR CONCLUSIONS RELEVANT TO PROFESSIONAL STAFF SALARY ISSUE REACHED BY CONSULTANTS WERE:

(A) THAT ALTHOUGH BANK'S EXISTING PROFESSIONAL STAFF SALARY STRUCTURE IS BELOW THOSE OF IBRD AND IDB, SALARIES ACTUALLY BEING PAID TO PROFESSIONAL STAFF, BELOW MANAGERIAL LEVEL, SEEMED TO BE EQUAL TO THOSE PAID BY IBRD AND IDB, INDICATING EXISTING PROFESSIONAL SALARY STRUCTURE OF BANK HAS NO MEANINGFUL RELATIONSHIP TO ACTUAL SALARIES BEING PAID.

(B) THAT PROBLEM OF BUNCHING OR COMPRESSION OF SALARY AT TOP CANNOT BE AVOIDED AS LONG AS ARTIFICIAL SALARY CEILING IS IMPOSED LIMITED OFFICIAL USE

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BY VIRTUE OF LINKING TOP STAFF SALARY TO THAT OF BOARD OF DIRECTORS.

4. IN ORDER TO ESTABLISH LOGICAL PROFESSIONAL STAFF SALARY STRUCTURE AND TO MAINTAIN IT AS EFFECTIVE MANAGEMENT TOOL, CONSULTANTS IN THEIR SURVEY HAVE RECOMMENDED TO BANK MANAGEMENT TO EXPAND NUMBER OF PROFESSIONAL STAFF GRADES FROM 5 TO 7 WITH NEW SALARY

RANGES FOR EACH GRADE AS SHOWN BELOW:

GRADE	RANGE (US\$)	MID-POINT
VII	31,500-42,500	\$37,000
VI	28,000-38,000	\$33,000
V	24,500-33,500	\$29,000
IV	21,000-29,000	\$25,000
III	18,500-25,500	\$22,000
II	16,000-22,000	\$19,000
I	13,500-18,500	\$16,000

IMPLICIT IN RECOMMENDED STRUCTURE IS THAT LINK BETWEEN STAFF AND BOARD OF DIRECTORS' SALARY SHOULD BE ABANDONED TO RESOLVE "COMPRESSION" PROBLEM.

5. BOOZ, ALLEN & HAMILTON STUDY IS CAREFUL TO POINT OUT THAT THEY ARE NOT RECOMMENDING GENERAL SALARY INCREASE AT THIS TIME. IN FACT, THEY MAINTAIN THAT INCREASE IS NOT WARRANTED UNDER PRESENT CIRCUMSTANCES. THUS, ONCE RESTRUCTURING OF SALARY GRADES AND RANGES HAS BEEN COMPLETED, EXISTING SALARIES WOULD THEN FALL WITHIN NEW GRADE/RANGE STRUCTURE AND BANK MANAGEMENT WOULD BE PRESUMABLY IN POSITION TO RECOMMEND FURTHER SALARY INCREASES, IF CONSIDERED NECESSARY, LATER IN THE YEAR.

6. PRESIDENT INOUE AGREES THAT GENERAL SALARY INCREASE IS NOT WARRANTED AT THIS STAGE, BUT HE IS ANXIOUS TO CARRY OUT RESTRUCTURING AS SOON AS POSSIBLE TO MAKE RECRUITING EFFORT MORE FLEXIBLE AS WELL AS TO GRANT SOME MERIT INCREASES WHICH HAVE BEEN HELD UP SINCE AUGUST 1974 PENDING CONSULTANTS' SURVEY.

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BANK'S ADMINISTRATION DEPARTMENT IS PREPARING BOARD PAPER BASED ON FINDINGS AND RECOMMENDATIONS OF CONSULTANTS' REPORT. DETAILS OF FORTHCOMING PAPER ARE UNKNOWN AT THIS TIME, BUT RECOMMENDATIONS TO BOARD ARE LIKELY TO FOLLOW CLOSELY THOSE OF BOOZ, ALLEN. WHILE TOP LEVEL OF GRADE 7 CAN BE AS HIGH AS \$42,500, PRESIDENT MAY RECOMMEND CONTINUING LINKING OF HIGHEST STAFF SALARY TO THAT OF BOARD OF DIRECTORS.

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